

GrowthWorks Canadian Fund FAQs

About GrowthWorks Canadian Fund

1. **Q: What is the GrowthWorks Canadian Fund?**

A: The GrowthWorks Canadian Fund is a labour-sponsored venture capital fund with approximately 74,000 individual shareholders from across Canada. The Fund currently has approximately \$250 million in total assets. Until 2003 the Fund was named Working Ventures Canadian Fund. **Read the Fund's Prospectus and consult with your investment advisor before investing.**

2. **Q: What is the purpose of the Fund?**

A: The Fund's purpose is to achieve long-term capital appreciation for its shareholders by making equity investments in small to medium sized innovative Canadian companies with high growth potential. It also provides tax savings through tax credits to investors.

3. **Q: When did the Fund start?**

A: The Fund was launched in 1990. GrowthWorks* acquired the manager of the Fund in November 2002.

About GrowthWorks*

1. **Q: Who is GrowthWorks?**

A: GrowthWorks is a recognized leader in the Canadian venture capital industry, specializing in the management and growth of regionally based venture capital funds. GrowthWorks has combined assets under management of more than \$800 million.

2. **Q: When did GrowthWorks become the manager of GrowthWorks Canadian Fund?**

A: GrowthWorks took over the management of GrowthWorks Canadian Fund in November 2002.

3. **Q: What changes has GrowthWorks made?**

A: The manager has made changes to the venture portfolio of GrowthWorks Canadian Fund to divest of companies that were believed to have peaked or to have limited upside potential. The Fund has also made a number of new investments and its manager has hired a number of new investment managers. Also, GrowthWorks has brought Operations, including, Marketing, Client/ Dealer Services, Information Technology and Accounting, in-house to provide more personalized and cost-effective service and administration to the Fund.

About Subscribing to the Fund

1. **Q: Who is eligible to purchase shares in the Fund?**

A: Residents of the provinces of AB, SK, MB, ON, QC, NWT, NT and YN. Provincial tax credits are available to residents of Ontario and Saskatchewan. (See the "About the Tax Credits" section for more information.)

2. **Q: What are the minimum and maximum amounts that can be invested?**

A: The minimum initial investment in a single installment payment is \$500; the



minimum subsequent subscription is \$50. There is no maximum investment; however, RRSP investments in the Fund are limited by the annuitant's maximum contribution amount. Also, tax credits are subject to yearly maximums, depending on which province the investor resides in. Refer to the "About the Tax Credits" section.

3. **Q: Does the Fund qualify as an RRSP investment?**
A: Yes. An eligible purchaser with taxable income and residing in one of the provinces noted above may purchase shares in the GrowthWorks Canadian Fund by means of an RRSP, thereby increasing, possibly doubling his or her tax savings.
4. **Q: What about Spousal RRSPs?**
A: An investor may contribute to a Spousal RRSP, which purchases shares of the Fund for the benefit of his or her spouse. The contributor must be listed as the beneficiary of the Spousal RRSP. Speak with your Investment Advisor for more information specific to your situation.
5. **Q: If I don't have a self-directed RRSP, how do I purchase the Fund in an RRSP?**
A: Please contact your Investment Advisor who can arrange to open a GrowthWorks Canadian Fund RRSP by filling in the appropriate sections of the Subscription Form.
6. **Q: Can I purchase Fund shares using money I already have in an RRSP?**
A: Yes.
7. **Q: Can I purchase GrowthWorks Canadian in an RESP?**
A: No. The GrowthWorks Canadian Fund is not available to be purchased in an RESP.
8. **Q: Can a senior with a RRIF purchase GrowthWorks Canadian Fund shares and receive the tax credits?**
A: A registered retirement income fund ("RRIF") is not eligible to subscribe for shares and receive a federal or provincial tax credit. If you are of RRIF eligible age, the GrowthWorks Canadian Fund can be purchased individually in a non-RRIF account with full eligibility for tax credits and then transferred into a RRIF account. Please contact your Investment Advisor for more information and to discuss whether an investment in a venture capital fund is suitable for you.
9. **Q: What is the deadline for purchasing shares in order to qualify for tax credits?**
A: Shares may be purchased for tax credits at any time during the taxation year for which tax credits are claimed and during the first 60 days of the following taxation year.
10. **Q: Does the GrowthWorks Canadian Fund have a PAC (pre-authorized chequing plan)?**
A: Yes. You can opt for pre-authorized monthly withdrawal of funds from your bank account as explained on the Fund's Application Form. There is a minimum investment of \$50 per month under this option.
11. **Q: Do I have to buy from an Investment Advisor?**
A: Yes, GrowthWorks Canadian Fund can only be sold through a licensed Investment Advisor, broker or mutual fund dealer. This is because there is much you should know about the Fund including eligibility rules, redemption



restrictions, tax implications and a general awareness about the suitability and appropriate amount of this kind of investment in your investment portfolio mix. It is the Investment Advisor, broker or mutual fund dealer's responsibility to ensure that you receive a prospectus outlining the details of the investment.

12. Q: What fees do I have to pay to buy shares in the Fund?

A: No new administration fees will be charged on purchases of GrowthWorks Canadian Fund. However, any outstanding fees from 1997 and prior are still required to be paid and will be collected at the time of redemption. No interest is being charged on the outstanding fees.

13. Q: What is the Fund's commission structure?

A: You do not pay any commissions when you buy shares of GrowthWorks Canadian Fund. Instead, the Manager of the Fund pays an up-front commission to your dealer and Fund pays an ongoing service or "trailer" fee to your dealer for as long as you hold the shares. Fees paid by the Fund will decrease the net asset value of the Fund and value of your investment.

14. Q: Does the Fund pay interest or dividends?

A: The Fund has not declared any cash dividends to date and it is not anticipated that the Fund will declare dividends in the future except to reduce the Fund's taxes. The Fund may capitalize annually certain amounts of its interest and other investment income and capital gains to the extent necessary to obtain a refund of the tax otherwise payable. This may have non-deferred tax implications for shareholders holding their GrowthWorks Canadian Fund shares in non-registered accounts. Refer to the "About Deemed Dividends" section.

15. Q: How do I earn money on my investment?

A: The objective of the Fund is to provide their shareholders with an increase in share value over time through long-term by capital appreciation.

16. Q: What determines the value of the shares?

A: Shares in the Fund are purchased and redeemed at the prices determined each week based on the net asset value of "NAV" of each series of shares of the Fund. The prices are arrived at by dividing the net asset value of the assets allocated to a particular series of shares by the total number of outstanding shares of that series. The Fund's net asset value and, therefore, the series share prices, fluctuate with the value of its investment. The Fund is valued weekly on Fridays. Refer to "About the Series of Shares" section.

17. Q: Is the Fund listed on a stock exchange?

A: No. The Fund is not listed on a stock exchange.

18. Q: Where can I find the Fund's share prices?

A: The share prices are listed in most major newspapers' mutual fund listings under the "Venture Capital" or "Labour-Sponsored Venture Capital" headings. They can also be found on our website www.growthworks.ca/canadain, on www.globefund.com and other mutual fund industry websites.

About the Tax Credits

1. Q: What are the tax credit amounts and maximums?

A: Tax credits vary depending on the province of residence for investors.

Federal Tax Credits:

Investors are eligible to receive a 15% federal tax credit subject to a \$750 annual maximum, which is reached on a \$5,000 purchase.



Provincial Tax Credits:

Saskatchewan residents are eligible to receive a 15% provincial tax credit subject to a \$525 annual maximum, which is reached on a \$3,500 purchase. Ontario residents are eligible to receive a 15% provincial tax credit subject to a \$750 annual maximum, which is reached on a \$5,000 purchase. Residents of other provinces or territories are not eligible to receive a provincial tax credit.

About the Series of Shares

1. **Q: How do the new series of shares work?**

A: When you purchase the GrowthWorks Canadian Fund you have your choice of six series of shares. Approximately 70% of the Fund's capital is invested in venture investments in growth-oriented Canadian companies. These investments are a common asset shared among all series of shares. You can choose between six options as to the investment focus for the remaining non-venture portion of your investment.

2. **Q: What is the difference between the series?**

A: Each of the six series has a different investment focus for non-venture investments. The investment focus of each series is indicated by its name:

Balanced. Bonds, money market and other income investments.

Growth. A broad index/grouping of Canadian equities.

Income. REITs, income trusts, royalty trusts and other high-income investments.

Financial. Financial services sector investments such as banking, insurance and others.

Resources. Resource sector investments such as energy, precious metals and others.

Diversified. A mix of the above investments.

More information on each of these series is contained in the prospectus

3. **Q: Can I switch between these series?**

A: Yes - Investors in the GrowthWorks Canadian Fund have the ability to switch between the series of shares up to twice per account per calendar year. Each series is priced separately according to the content and performance of its underlying portfolio. Contact your Investment Advisor for more information. Note – For shares purchased prior to November 2003, no switching is permitted.

About Deemed Dividends

1. **Q: When is there a deemed dividend?**

A: In order to minimize the tax paid by the Fund, the Board of Directors may capitalize a portion of the Fund's earnings, thereby converting the earnings into share capital. When earnings are capitalized, holders of Class A shares of the Fund are considered for tax purposes to have received a deemed dividend even though no cash or additional shares are paid out. For shareholders holding GrowthWorks Canadian Fund shares in a non-registered account, tax may have to be paid in respect of the deemed dividend. The tax implications are deferred for shareholders holding shares in a registered account.

Therefore, non-registered account holders will receive notification of any impending deemed dividends in December, prior to the dividend. The T5 reporting slip for deemed dividends is mailed to non-registered account

holders in February. Registered account holders are not affected until they redeem their shares or withdraw them from their registered account.

2. **Q: What are the tax implications of a capital gains dividend?**
A: There are tax implications in the year of the deemed dividend for non-registered account holders only. If you are a non-registered account holder, talk with your investment advisor or accountant, about the tax implications to you of the deemed dividend.
3. **Q: Why haven't I received cash or shares in payment of the dividend?**
A: This is a deemed dividend rather than an actual dividend, so no cash is paid. Unlike many mutual funds, no shares are issued in connection with the deemed dividend since the issuance of new shares in payment of the dividend would result in an eight-year hold on the new shares.
4. **Q: How do I avoid being taxed again when my shares are redeemed if I don't receive more shares?**
A: In calculating the taxable capital gains on the redemption of your shares, all deemed dividends during the eight-year hold period would be added to the original cost base of your shares, thereby increasing the adjusted cost base (ACB) of your shares by the amount of the deemed dividends and reducing any capital gain resulting from the redemption.

About Redeeming and Reinvesting

1. **Q: How long do I have to leave my money in the Fund?**
A: Generally, for eight years from the date of each investment. Shares can be redeemed prior to eight years if you repay the tax credits you received on your investment. An early redemption fee will also be charged.
2. **Q: Why do I have to repay the tax credits?**
A: LSIFs make investments in small- and medium-sized companies that typically need a five to eight year commitment of capital to help them grow and develop. The federal and provincial governments provide tax credits to investors to encourage investment in these types of companies. The requirement to repay tax credits is intended to ensure the funds' access to capital raised is aligned with the requirements of the companies in which they invest.
3. **Q. How can I redeem and/or reinvest my GrowthWorks Canadian Fund shares without repaying the tax credits?**

A: GrowthWorks Canadian Fund shares are eligible for redemption and reinvestment as follows:

Redemption - 8 years from the date of purchase. However, if you are approaching the eighth anniversary of your purchase and you bought your shares in February or March, then special rules apply that allow you to redeem your shares prior to the eighth anniversary without having to repay tax credits or pay an early redemption fee. Under these rules, if you redeem your shares not more than 31 days prior to the eighth anniversary of their date of purchase, your redemption will effectively be deemed to have occurred on or after the eighth anniversary.

Reinvestment - 8 years from the date of purchase. However, if you are approaching the eighth anniversary of your purchase and you bought your shares in February or March, then special rules apply that allow you to redeem and reinvest your shares prior to the eighth anniversary without having to repay tax credits or pay an early redemption fees. Under these rules, if you redeem and reinvest your shares not more than 31 days prior to the eighth anniversary of their date of purchase, your redemption and reinvestment will effectively be deemed to have occurred on or after the eighth anniversary.

Example 1 - First 30 day purchase

Purchase on	January 27, 1998
Eligible to redeem on	January 27, 2006
Eligible to reinvest on	January 27, 2006

Example 2 - Second 30 day purchase

Purchase on	February 27, 1998
Eligible to redeem on	January 27, 2006
Eligible to reinvest on	January 27, 2006

Example 3 - Non-second 30 day purchase

Purchase on	March 30, 1998
Eligible to redeem on	February 29, 2006
Eligible to reinvest on	February 29, 2006

4. **Q: How do I redeem my GrowthWorks Canadian Fund shares?**
 A: Contact your Investment Advisor to complete the necessary paperwork.

5. **Q: Can I reinvest my shares of the GrowthWorks Canadian Fund at the end of eight years?**
 A: Yes. If your shares are eligible for redemption (see Question 3 above), you can redeem and reinvest in the GrowthWorks Canadian Fund to receive another tax credit on that amount, keeping in mind the yearly tax credit limits. There is no fee for reinvesting in the Fund. When reinvesting, Ontario and Saskatchewan residents can also choose whether they want to invest into the GrowthWorks Canadian Fund or the GrowthWorks Commercialization Fund. Residents of the Atlantic provinces cannot reinvest into the GrowthWorks Canadian Fund, however, they can reinvest into the GrowthWorks Atlantic Venture Fund.

6. **Q: Will any capital gains be generated from my redemption of the GrowthWorks Canadian Fund shares?**
 A: Potentially yes. If the redemption price is greater than the adjusted cost base of the shares at the time of redemption, capital gains will be generated. This has immediate tax implications for shares held in non-registered accounts.

*GrowthWorks refers to affiliates of GrowthWorks Ltd. and includes: GrowthWorks WV Management Ltd., manager of GrowthWorks Canadian Fund Ltd., GrowthWorks Opportunity Fund Ltd, and GrowthWorks Commercialization Fund Ltd., GrowthWorks Atlantic Ltd., manager of GrowthWorks Atlantic Venture Fund Ltd., and Fullarton



Capital Corporation, manager of Canadian Science and Technology Growth Fund Inc. and Capital Alliance Ventures Inc.

Commissions, trailing commissions, management fees and expenses all may be associated with investment fund purchases. Please read the prospectus of the GrowthWorks Canadian Fund before investing. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.